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MEMORANDUM

Arizona Corporation Commission

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AZ CORP COMMISSION
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TO: THE COMMISSION

FROM: Utilities Division

DATE: - February 8, 2002

DOCKETED BY

UP

RE: SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE - APPLICATION FOR APPROVAL OF REVISIONS TO SCHEDULES GT, PT, AND RT (DOCKET NO. E-01575A-02-0038)

On January 16, 2002, Sulphur Springs Valley Electric Cooperative ("SSVEC") filed an application for approval of revisions to its tariffs, Schedules GT, PT, and RT. On January 31, 2002, the Commission suspended the application for 120 days so that Staff could have sufficient time to evaluate the application (Decision No. 64394). On February 4, 2002, SSVEC filed amended pages that clarified some of the wording in the tariffs.

Schedule GT (General Service & Small Power Time of Use), Schedule PT (General Power Service Time of Use), and Schedule RT (Residential Time of Use) are currently experimental time-of-use tariffs. The proposed revisions would adjust the rates, adjust the on-peak and off-peak hours, clarify some language, and make the tariffs permanent. In addition, the number of customers served under the three schedules would be limited to a maximum of 5 MW of installed load.

Schedule GT

Schedule GT (General Service & Small Power Time of Use) was originally approved as an experimental tariff by the Commission in SSVEC's last rate case (Decision No. 58358). The optional schedule is available for commercial customers who require less than 50 kVA transformer capacity. Under the current Schedule GT, there is a service availability charge of \$22.50 per month, an on-peak capacity charge of \$8.50 per kVA, an on-peak energy charge of \$0.1585 per kWh, and an off-peak energy charge of \$0.045 per kWh. The summer on-peak hours are 11:00 a.m.-9:00 p.m., Monday through Friday. The winter on-peak hours are 6:00 a.m.-11:00 a.m. and 5:30 p.m.-9:00 p.m., Monday through Friday. All other hours are off-peak. There is a limit of 25 customers on this schedule. There are currently 16 customers on this schedule.

Under the proposed revisions, the rates would consist of a service availability charge of \$14.25 per month, an on-peak capacity charge of \$13.37 per kW, and an energy charge of \$0.05968 per kWh. The summer on-peak hours would be 2:00 p.m.-7:00 p.m., Monday through Saturday. The winter on-peak hours would be 6:30 a.m.-10:00 a.m. and 6:00 p.m.-9:30 p.m., Monday through Friday. All other hours would be off-peak. The 25-customer limit would be removed in favor of the 5 MW maximum load for all three time-of-use schedules.

SSVEC buys all of its power from Arizona Electric Power Cooperative ("AEPSCO") as a Class A member. SSVEC is billed for demand coincident with AEPSCO's monthly peak for Class A members. SSVEC provided to Staff AEPSCO hourly load data for 1999 through 2001 that supports the on-peak and off-peak hours proposed by SSVEC for its time-of-use schedules.

If there were no change in the number of on-peak hours, about half of the customers would pay more under the proposed rate structure than under the current rate structure. However, the proposed tariff would contain only 65 on-peak hours per week compared to 92.5 on-peak hours per week in the current tariff. Customers would have lower bills with fewer on-peak hours. Customers currently on Schedule GT have from 87 percent to 100 percent of their energy consumption during off-peak hours.

Schedule PT

Schedule PT (General Power Service Time of Use) was originally approved as an experimental tariff by the Commission in SSVEC's last rate case (Decision No. 58358). The optional schedule is available for commercial customers who guarantee a monthly billing capacity of more than 50 kVA. Under the current Schedule PT, there is a service availability charge of \$55.00 per month, an on-peak capacity charge of \$10.00 per kVA, an off-peak capacity charge of \$1.50 per kVA, an on-peak energy charge of \$0.105 per kWh, and an off-peak energy charge of \$0.041 per kWh. The on-peak and off-peak hours are the same as for Schedule GT. Although there is a limit of 5 customers on this schedule, there are currently no customers on Schedule PT.

Under the proposed revisions, the rates would consist of a service availability charge of \$45.30 per month, an on-peak capacity charge of \$13.37 per kVA, an off-peak capacity charge of \$4.09 per kVA (with a minimum billing kVA of the greater of 50 kVA, 60 percent of transformer capacity, or contract capacity), and an energy charge of \$0.02698 per kWh. The proposed on-peak and off-peak hours would be the same as proposed for Schedule GT. The 5-customer limit would be removed in favor of the 5 MW maximum load for all three time-of-use schedules.

Because there are no customers currently on Schedule PT, there is no consumption history of actual customers. Since the proposed tariff would contain only 65 on-peak hours per week compared to 92.5 on-peak hours per week in the current tariff, customers may be encouraged to go on to Schedule PT.

Schedule RT

Schedule RT (Residential Time of Use) was originally approved as an experimental tariff by the Commission on September 20, 1995 (Decision No. 59285), with an expiration date of September 30, 1997. On September 26, 1997 (Decision No. 60421), April 30, 1998 (Decision No. 60840), and January 7, 1999 (Decision No. 61330), the Commission extended the rate schedule until March 31, 1998, December 31, 1998, and December 31, 1999, respectively. The

optional schedule was available for residential customers who required less than 50 kVA of single-phase service. Under Schedule RT, there was a service availability charge of \$17.50 per month, an on-peak energy charge of \$0.1405 per kWh, and an off-peak energy charge of \$0.041 per kWh. The summer on-peak hours were 11:00 a.m.-9:00 p.m., Monday through Saturday. The winter on-peak hours were 6:00 a.m.-11:00 a.m. and 5:30 p.m.-9:00 p.m., Monday through Saturday. All other hours were off-peak. There was a limit of 200 customers on this schedule. There are currently 21 customers on this schedule.

Under the proposed Schedule RT, the rates would consist of a customer charge of \$9.75 per month, an on-peak energy charge of \$0.14050 per kWh, and an off-peak energy charge of \$0.06548 per kWh. The on-peak and off-peak hours would be the same as proposed for Schedules GT and PT.

If there were no change in the number of on-peak hours, all of the customers would pay more under the proposed Schedule RT rate structure than under the current Schedule RT rate structure, although about two-thirds of customers would have lower bills on the proposed Schedule RT rate structure than if they were on the regular residential rate schedule (Schedule R). However, the proposed Schedule RT would contain only 65 on-peak hours per week compared to 111 on-peak hours per week in the current Schedule RT. Customers would have lower bills with fewer on-peak hours. Customers currently on Schedule RT have from 45 percent to 78 percent of their energy consumption during off-peak hours. About 65 percent of energy consumption would have to be off-peak for customers to save under the proposed rate structure. SSVEC has estimated that the proposed change in on-peak hours would lead to a 25 percent shift of energy consumption from on-peak to off-peak hours.

Staff Recommendation

Staff recommends approval of the proposed Schedules GT, PT, and RT, as amended. The rate schedules send proper price signals to customers to shift load to off-peak hours, benefiting both the customers and the utility. In addition, the rates to be paid under these schedules would continue to cover SSVEC's marginal costs of supplying the power.

The proposed 5 MW maximum load to be served under the three time-of-use rates represents an increase in the availability of these rates. Current load on these rates is about 0.5 MW. If all three schedules had maximum subscription to current limits, the load would be about 1.2 MW.

Staff also analyzed this application in terms of whether there were fair value implications that required a further rate review or proceeding. In this matter, the overall impact of these tariff revisions on SSVEC's revenue is de minimus, probably about 0.01 percent. This results in a de minimus increase in SSVEC's annual rate of return of about 0.1 percent. Under these circumstances and those described in the application, there is no need for additional fair value analysis of SSVEC's proposed tariff revisions impact on ratepayers, and the proposed revisions result in just and reasonable rates.

THE COMMISSION

February 8, 2002

Page 4

SSVEC will be sending letters to customers currently served on the time-of-use tariffs to inform of them of the changes. Customers will have the opportunity to switch, at no charge, to other tariffs if they choose to do so.

Staff further recommends that SSVEC file tariff pages consistent with the terms of this Decision within 15 days from the effective date of the Decision.

A handwritten signature in dark ink, appearing to read "E. G. Johnson", with a long horizontal line extending to the right.

Ernest G. Johnson
Director
Utilities Division

EGJ:BEK:rdp/JMA

ORIGINATOR: Barbara Keene

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL
Chairman

3 JIM IRVIN
Commissioner

4 MARC SPITZER
Commissioner

5
6 IN THE MATTER OF SULPHUR SPRINGS)
VALLEY ELECTRIC COOPERATIVE -)
7 APPLICATION FOR APPROVAL OF REVISIONS)
TO SCHEDULES GT, PT, AND RT)

DOCKET NO. E-01575A-02-0038

DECISION NO. _____

ORDER

9 Open Meeting
February 26 and 27, 2002
10 Phoenix, Arizona

11 BY THE COMMISSION:

12 FINDINGS OF FACT

13 1. Sulphur Springs Valley Electric Cooperative ("SSVEC") is certificated to provide
14 electric service as a public service corporation in the State of Arizona.

15 2. On January 16, 2002, SSVEC filed an application for approval of revisions to its tariffs,
16 Schedules GT, PT, and RT. On January 31, 2002, the Commission suspended the application for 120
17 days so that Staff could have sufficient time to evaluate the application (Decision No. 64394). On
18 February 4, 2002, SSVEC filed amended pages that clarified some of the wording in the tariffs.

19 3. Schedule GT (General Service & Small Power Time of Use), Schedule PT (General
20 Power Service Time of Use), and Schedule RT (Residential Time of Use) are currently experimental
21 time-of-use tariffs. The proposed revisions would adjust the rates, adjust the on-peak and off-peak
22 hours, clarify some language, and make the tariffs permanent. In addition, the number of customers
23 served under the three schedules would be limited to a maximum of 5 MW of installed load.

24 4. Schedule GT (General Service & Small Power Time of Use) was originally approved as
25 an experimental tariff by the Commission in SSVEC's last rate case (Decision No. 58358). The
26 optional schedule is available for commercial customers who require less than 50 kVA transformer
27 capacity. Under the current Schedule GT, there is a service availability charge of \$22.50 per month,
28 an on-peak capacity charge of \$8.50 per kVA, an on-peak energy charge of \$0.1585 per kWh, and an

1 off-peak energy charge of \$0.045 per kWh. The summer on-peak hours are 11:00 a.m.-9:00 p.m.,
2 Monday through Friday. The winter on-peak hours are 6:00 a.m.-11:00 a.m. and 5:30 p.m.-9:00 p.m.,
3 Monday through Friday. All other hours are off-peak. There is a limit of 25 customers on this
4 schedule. There are currently 16 customers on this schedule.

5 5. Under the proposed revisions to Schedule GT, the rates would consist of a service
6 availability charge of \$14.25 per month, an on-peak capacity charge of \$13.37 per kW, and an energy
7 charge of \$0.05968 per kWh. The summer on-peak hours would be 2:00 p.m.-7:00 p.m., Monday
8 through Saturday. The winter on-peak hours would be 6:30 a.m.-10:00 a.m. and 6:00 p.m.-9:30 p.m.,
9 Monday through Friday. All other hours would be off-peak. The 25-customer limit would be removed
10 in favor of the 5 MW maximum load for all three time-of-use schedules.

11 6. SSVEC buys all of its power from Arizona Electric Power Cooperative ("AEPCO") as
12 a Class A member. SSVEC is billed for demand coincident with AEPCO's monthly peak for Class
13 A members. SSVEC provided to Staff AEPCO hourly load data for 1999 through 2001 that supports
14 the on-peak and off-peak hours proposed by SSVEC for its time-of-use schedules.

15 7. If there were no change in the number of on-peak hours, about half of the customers
16 would pay more under the proposed Schedule GT's rate structure than under the current rate structure.
17 However, the proposed tariff would contain only 65 on-peak hours per week compared to 92.5 on-peak
18 hours per week in the current tariff. Customers would have lower bills with fewer on-peak hours.
19 Customers currently on Schedule GT have from 87 percent to 100 percent of their energy consumption
20 during off-peak hours.

21 8. Schedule PT (General Power Service Time of Use) was originally approved as an
22 experimental tariff by the Commission in SSVEC's last rate case (Decision No. 58358). The optional
23 schedule is available for commercial customers who guarantee a monthly billing capacity of more than
24 50 kVA. Under the current Schedule PT, there is a service availability charge of \$55.00 per month,
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3 capacity charge of \$4.09 per kVA (with a minimum billing kVA of the greater of 50 kVA, 60 percent
4 of transformer capacity, or contract capacity), and an energy charge of \$0.02698 per kWh. The
5 proposed on-peak and off-peak hours would be the same as proposed for Schedule GT. The 5-
6 customer limit would be removed in favor of the 5 MW maximum load for all three time-of-use
7 schedules.

8 10. Because there are no customers currently on Schedule PT, there is no consumption
9 history of actual customers. Since the proposed tariff would contain only 65 on-peak hours per week
10 compared to 92.5 on-peak hours per week in the current tariff, customers may be encouraged to go on
11 to Schedule PT.

12 11. Schedule RT (Residential Time of Use) was originally approved as an experimental tariff
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14 September 30, 1997. On September 26, 1997 (Decision No. 60421), April 30, 1998 (Decision
15 No. 60840), and January 7, 1999 (Decision No. 61330), the Commission extended the rate schedule
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17 schedule was available for residential customers who required less than 50 kVA of single-phase
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22 peak. There was a limit of 200 customers on this schedule. There are currently 21 customers on this
23 schedule.

24 12. Under the proposed Schedule RT, the rates would consist of a customer charge of \$9.75
25 per month, an on-peak energy charge of \$0.14050 per kWh, and an off-peak energy charge of \$0.06548
26 per kWh. The on-peak and off-peak hours would be the same as proposed for Schedules GT and PT.

27 13. If there were no change in the number of on-peak hours, all of the customers would pay
28 more under the proposed Schedule RT rate structure than under the current Schedule RT rate structure,

1 although about two-thirds of customers would have lower bills on the proposed Schedule RT rate
2 structure than if they were on the regular residential rate schedule (Schedule R). However, the
3 proposed Schedule RT would contain only 65 on-peak hours per week compared to 111 on-peak hours
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5 Customers currently on Schedule RT have from 45 percent to 78 percent of their energy consumption
6 during off-peak hours. About 65 percent of energy consumption would have to be off-peak for
7 customers to save under the proposed rate structure. SSVEC has estimated that the proposed change
8 in on-peak hours would lead to a 25 percent shift of energy consumption from on-peak to off-peak
9 hours.

10 14. Staff has recommended approval of the proposed Schedules GT, PT, and RT as
11 amended. The rate schedules send proper price signals to customers to shift load to off-peak hours,
12 benefiting both the customers and the utility. In addition, the rates to be paid under these schedules
13 would continue to cover SSVEC's marginal costs of supplying the power.

14 15. The proposed 5 MW maximum load to be served under the three time-of-use rates
15 represents an increase in the availability of these rates. Current load on these rates is about 0.5 MW.
16 If all three schedules had maximum subscription to current limits, the load would be about 1.2 MW.

17 16. Staff also analyzed this application in terms of whether there were fair value implications
18 that required a further rate review or proceeding. In this matter, the overall impact of these tariff
19 revisions on SSVEC's revenue is de minimus, probably about 0.01 percent. This results in a de
20 minimus increase in SSVEC's annual rate of return of about 0.1 percent. Under these circumstances
21 and those described in the application, there is no need for additional fair value analysis of SSVEC's
22 proposed tariff revisions impact on ratepayers, and the proposed revisions result in just and reasonable
23 rates.

24 17. SSVEC will be sending letters to customers currently served on the time-of-use tariffs
25 to inform them of the changes. Customers will have the opportunity to switch, at no charge, to other
26 tariffs if they choose to do so.

27 18. Staff has further recommended that SSVEC file tariff pages consistent with the terms of
28 this Decision within 15 days from the effective date of the Decision.

CONCLUSIONS OF LAW

1. SSVEC is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over SSVEC and over the subject matter of the application.

3. Approval of the proposed tariff revisions do not constitute rate increases as contemplated by A.R.S. Section 40-250.

4. The Commission, having reviewed the application and Staff's Memorandum dated February 8, 2002, concludes that it is in the public interest to approve the tariff revisions, as amended.

ORDER

IT IS THEREFORE ORDERED that the proposed tariff revisions, as amended, be and hereby are approved.

IT IS FURTHER ORDERED that SSVEC shall file tariff pages consistent with the terms of this Decision within 15 days from the effective date of the Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
Executive Secretary of the Arizona Corporation
Commission, have hereunto, set my hand and caused the
official seal of this Commission to be affixed at the Capitol,
in the City of Phoenix, this ___ day of _____, 2002.

BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

EGJ:BEK:rdp/JMA

Decision No. _____

1 SERVICE LIST FOR: Sulphur Springs Valley Electric Cooperative, Inc.
DOCKET NO. E-01575A-02-0038

2 Mr. Kirby Chapman
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